

Management News

BUSINESS CONDITIONS & FORECASTS

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American Management Association

Alvin E. Dodd Now Visiting England, Addresses Management Groups There

ALVIN E. DODD, President of AMA, who was among the speakers at the International Management Conference in Stockholm, July 3-8, is now in England where he has been giving talks to a number of management groups.

Mr. Dodd's most recent talk was given July 29, when he addressed the Institute of Industrial Management at Oriel College, Oxford, on "The Role of Business Education as a Determinant in the Future of American Management," outlining various developments both at universities and in industry itself.

"As the present leadership of American management nears the retirement age," he pointed out, "there will be a removal of many of the remaining close bonds between management and its employees. These bonds were often established at a time when business was of a smaller size, and its present leaders were themselves members of the rank

and file or not yet high up in management.

"The provision of successors at the top has lagged. This has been due to inertia, the effects of war, differences of opinion on methods of selection and training. We are not even in full agreement on the type of executive quality required.

"But I believe I can fairly sum up the best prevailing opinions as follows: The business mind of the future will have to direct the gathering of knowledge and evaluate it in the light of coming needs. As in the past, the executive will attempt to reach objectives by those means which lead to the highest accomplishment at the least expense; but unlike in the past, in distributing his proceeds, he will have to be more fully aware of all his major 'publics'—not only the stockholders, but also the em-

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The Listening Post

It should not be overlooked by management that, despite extremely real and serious obstacles to close employer-employee rapport created by the National Labor Relations Act, very tangible progress in improved employer-employee communication has been achieved in the past ten years. Utilizing the kind of improvising talent for which Americans are distinguished, employers and unions to some extent have successfully negotiated the tortuous road to harmonious labor relations that the Wagner Act created. In other words, despite the clumsiness of many legislative attempts to order improved labor relations, such an improvement has taken place. Improvement, in many cases, has come despite the legislation.

In many such situations provisions of the Taft-Hartley Law can have a de-

cidedly unsettling effect. Popular worker psychology has definitely been affected by the "slave labor" propaganda. Individual rank-and-file union members who have but a dim understanding of the Taft-Hartley Law may believe that they are personally liable to suit for any possible infractions thereof. Resentment over the legislation has been stimulated by exaggeration and distortion by labor union officials. Many union members feel as though the law has been a personal defeat.

A real problem confronts management—not merely to adjust the labor contract to the law, but to provide that kind of reassurance that will prevent dissipation of much substantial good will that has been developed over the years.

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TRENDS IN BUSINESS

GENERAL OUTLOOK

The coal settlement has given considerable impetus to inflationary tendencies, which appeared to have taken a new lease on life even before it occurred. Commodity prices were creeping up all through June and the first part of July; and in the retail field Dun & Bradstreet reports "diminishing resistance to high prices on the part of the consumer."

Legislation permitting veterans to cash terminal leave bonds will add to the nation's spending money; farm prices are higher, meaning more purchasing power for farm families; and it is expected that consumer credit controls will come off. Added to this is the spur the coal settlement has given to other unions to ask for more than they otherwise might have.

Experts are still worried, moreover, about exports, which were running at an annual rate of \$17.5 billion in May. A substantial decline there could take a sizable chunk out of the economy.

CONSTRUCTION

Building permit values surged upward in June, topping the May figure by 30.3 per cent (Dun & Bradstreet, 215 cities). For the first time in nine months, the total was larger than in the corresponding period of the previous year—45.5 per cent above June, 1946. Largest rise occurred in New York City where the total of plans filed was about triple the figure for June of last year.

Estimates now place the number of new dwelling units to be started in 1947 at 600,000, as against the earlier goal of 750,000, and the all-time record of 937,000 starts made in 1925.

Buyer resistance to high prices is credited with a dampening effect on

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Trends in Business

(Continued)

speculative building, and prices in the used-house market have slipped about 15 per cent since last fall.

PRODUCTION

Industrial production sagged slightly during late June and early July, primarily because of labor difficulties and vacation periods.

Stoppages in the coal fields cut into steel production, but by mid-month it was back above 90 per cent of capacity.

Total automobile production for the first six months of the year was 2,350,000 cars and trucks, as compared with a record high of 2,995,901 in 1941.

PRICES

Commodity price declines in April and early part of May were reversed in June and the first part of July. The Dun & Bradstreet wholesale price index of 30 basic commodities advanced to 265.19 on July 17, as compared to 258.74 a month earlier. Retail food costs continued to rise and were over 80 per cent above the 1935-39 average.

Latest cost of living figures (BLS) show a fractional decline from April to May for all components except rent, which is up .2 points. (Effects of the new rent legislation are, of course, not yet visible in the index.)

DISTRIBUTION

Department store sales dipped more than seasonally in June, partly due to bad weather, but total dollar volume of retail trade is currently running 8 to 12 per cent above figures for last year.

Consumer spending in the first quarter of the year was at an annual rate of \$138½ billion, compared with \$121 billion in the first quarter of 1946.

EMPLOYMENT

As of June, the U. S. economy actually reached the once fabulous goal of 60,000,000 jobs. However, a part, if not most, of this rise in employment was due to seasonal expansion of the labor force. Unemployment was 2,555,000.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

The Listening Post

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As an example of what some companies are doing, here is an excerpt from a letter sent out by E. N. Lowe, General Counsel and Public Relations Director of the West Virginia Pulp and Paper Company:

Because of many heated arguments which have taken place in recent months, all of us probably have been a little confused about how this law will affect us. Many of you even may be worried about the future of your union and of our collective bargaining relationship.

The law itself is a lengthy thing, couched in legal language. Recently I received a copy of a newspaper which printed the complete text. . . . It occupied two full pages of solid type. I read the law through carefully, and I am frank to admit that there were many parts of it which I could not understand, particularly as it might affect us here. I imagine many of you are in the same boat.

For that reason I asked our legal department for a summary of the law in language that you and I can understand. A copy of this summary is enclosed for you. . . .

At this time I would like to repeat some of the basic philosophy of this company in its relations with our employees and the unions which represent them.

1. Our company respects the right of its non-supervisory employees to organize and bargain collectively, not only because this is a right protected by law, but because it is a matter of democratic principle.

2. It has been and still is the policy of our company to bargain in good faith with the elected representatives of our employees.

3. It has been and still is the policy of our company to try to develop and maintain friendly and understanding relations with the union selected by our employees.

4. Our company believes that the future of each of us depends upon respect for one another and upon mutual interest in the business from which we all earn our living. None of us can hope to benefit unless we all work together. You can have job security and high wages only if the company is prosperous.

It is my personal hope that our future relations with you and your collective bargaining agency—your union—shall continue to improve and that we all shall gain a greater appreciation of the opportunities and advantages available to us under the nation's traditional system of free enterprise.

The summary enclosed explains provisions of the law under four main headings: "Employee's Rights," "Union Rights and Duties," "Employers' Rights and Duties," and "In General."

International Harvester Company's letter, signed by the president, John L. McCaffrey, reads in part:

The International Harvester Company took no part in the arguments either for or against the bill. We were following a long-standing policy of taking no part in such controversial legislative matters.

Now that it is the law of the land, however, we feel that it is proper for us to make a short and simple statement to all our employees of what our policy and fundamental attitude will be, in our employee relations under this act.

We wish to make such a statement to all employees, even though at this time we do not know fully, nor will we know for some time,

all the legal requirements which the act will impose upon us or upon labor unions. Nor do we know as yet the official interpretations that will have to be made on many sections of the act before they will become generally and clearly understood.

But there are two general statements we can make to employees now:

First, we will, of course, live up to the mandatory provisions of the new law, wherever they apply to Harvester employee relations.

Second, there is nothing in the Taft-Hartley law which disturbs or changes in any way the present arrangements between Harvester and its employees on such matters as wages, overtime pay, seniority, pay for holidays, vacations or incentive systems. The act will require some changes in future contractual arrangements with unions, but not on these matters.

There is still another important statement that we can make to all employees now—the passage of this law will mean no change in the fundamental, basic Harvester policy and attitude on employee relations.

While, as we have said, specific sections of the law will require some changes in future contracts with unions, the passage of this act will not cause us to adopt any anti-union policy. We will not use it in any effort to destroy unions, to weaken or discredit them.

Rather we intend to continue to follow the policy and attitude we have been following—of doing everything we can to improve our labor-management relations, to build stronger mutual confidence and to promote more harmonious relations. Collective bargaining is an accepted national policy. We do not think anything in this act is intended to abolish it or undermine it.

Excerpts from a letter sent out by Davison Chemical Corporation follow:

The principles of labor-management relations for which your management stands have represented a fair and equitable attitude toward its employees. There is ample evidence to support and justify the belief that management will continue to be committed to those principles.

The maintenance of good human relations will always depend upon the cooperative efforts of all employees of the corporation, as well as the cooperation of the representatives of labor and management.

You may be assured that the management will continue to operate under the new law in such a way as to maintain the principles of fairness which it believes have been evident during operations under previous laws.

Above all else, we urge you not to allow yourselves to be upset and worried about the effect of this new law on our future relations—we have gotten along satisfactorily together in the past and will in the future if we continue our faith in and friendly relations with each other.

Some special instructions to foremen in provisions of the new law will probably be necessary also. Supervisors should be cautioned that even though specific provision is made for the individual worker's right to present a grievance, it is necessary to inform the shop steward in such cases, and allow him to be present if he wishes to. Supervisors should be informed, also, that the settlements may not conflict with an existing contract.

JAMES O. RICE

RESEARCH DEPARTMENT

Foreman and Employee Participation in Cost Reduction

In the course of its research into methods of increasing labor productivity, AMA has found a number of companies which have been highly successful in enlisting foreman and employee cooperation in cost reduction.

One company, engaged in the transformation of raw materials in a competitive industry, is basing its approach on that of a similar program for bettering the safety record—which operates to such advantage that as much as three years have passed without the loss of a single day because of accident. Previously the loss ran into thousands of man-days annually.

THE SAFETY PROGRAM

The safety program was started in 1930, and has been continued ever since. Its main feature is an employee safety committee, composed of department representatives who serve for six months on a rotating basis.

Meetings, held every two weeks under the direction of a safety supervisor (a member of the personnel department), are used partly for training in safety and partly for discussion of employee suggestions on the subject.

The safety supervisor regularly brings the suggestions before a committee of foremen. After each proposal has been discussed, the general superintendent decides on the spot whether it is to be carried out, and if so, who will be responsible. Foremen also hold regular safety meetings with the men in their own departments, and there are regular dinners for committee members.

Employee reaction has been very favorable. Workers say they have "gotten a real education," are being given "a fair deal and a sympathetic hearing."

First step in the cost reduction program, which has the active support of top management, was appointment of a cost coordination committee of executives, to introduce a system of uniform accounting and map out the major areas of cost reduction.

FOREMAN PARTICIPATION

Members of the cost coordination committee then began holding conferences for the foremen, who have been impressed with the importance of the subject, and particularly pleased to receive mimeographed copies of some of

the coordination committee's meetings. Typical comments on the latter have been: "I felt as if I was reading a secret report." "It's a fine opportunity to see these top men in action and learn from them." "It's helpful for us and our men to know why schedules and processes change." Later on, the cost coordination committee may ask foremen to sit in on its meetings, two or three at a time, and report back to their group.

Foremen have also arranged their own cost reduction conferences with the aid of staff members from the cost coordination committee. At a dinner meeting foremen from various departments described their plans for cost reduction, discussed such topics as capital expenses, raw material costs, equipment, manpower, fuel, utilities, depreciation.

Later they reported what they had actually done to reduce costs, including many technical improvements instituted with the aid of technical service men. They have also started setting cost standards for themselves, and take great pride in meeting their goals.

EMPLOYEE PARTICIPATION

The key problem in the company's cost reduction program is, of course, to integrate the employee in it. It is this done, results should be visible in improved employee attitude toward the job—less carelessness, more immediate attention to waste, better care of tools, and stores, better utilization of time on the job. Successful participation by employees also means practical suggestions for improving their own jobs. Payment of high wages and provision of benefits does not necessarily bring about the required degree of participation, for satisfaction from earnings is obtained chiefly off the job, when the money is spent. As the employees put it they want to "feel important on the job."

More active employee participation can be obtained either by increasing cooperation between the foreman and his subordinates or through plant-wide labor committees consisting of representatives of labor and management. This particular company prefers the former avenue of approach, because it is more in line with the logic of good

management, because company foremen are competent, and because the problems are largely departmental.

The employee safety committee will serve as a model for the employee cost reduction committee. Members will be chosen for their ability to make practical suggestions and to report effectively on the results of meetings.

Meetings will be guided by the chief of the cost coordination committee and a member of the personnel department who is trained in methods of cost reduction and has the ability to discuss them with employees. He will carry the employees' ideas to the foremen's committee, which will act on proposals and report back to the employees, who in turn will report to their departments.

As in the case of the safety committee employee representatives will serve on a rotating basis. Thus, it is expected that the meetings will serve both the objectives mentioned above: improvement of employee attitude, and promotion of suggestions from the rank and file. Technical and time-consuming aspects of the work will be handled by staff members so that the expense of employee participation will be kept to a minimum.

Industrial Design

Who should be responsible for industrial design? A survey conducted by the AMA in preparation for a forthcoming research study indicates that in most companies the responsibility is management's or that of the engineering department. Of 92 companies replying to the question, 36 said management; 26, engineering; 11, sales; and three, the designer or stylist. Sixteen companies make use of a committee.

Of companies making consumer goods, 54 in all, 11 employed only staff industrial designers; 14 employed only consultant industrial designers; and 24 had both staff and consultant industrial designers; five, neither. Of the industrial companies (27 were so classified), 12 reported that they retained only staff designers; four employed only consultants; three employed both; and eight neither.

Of 11 companies whose major design interest is in packaging, six employed only staff industrial designers; three both staff and consultant designers; and two neither. Two of the three merchandising companies included retained only consultant designers; one employed neither.

ACTIVITIES of the AMA

Conference Program To Include Analysis Of Taft-Hartley Act

Personnel Division Meeting Set For October 2-3

"Operating Under the Taft-Hartley Act" will be a featured topic at AMA's Fall Personnel Conference, planned for October 2-3 at the Hotel Pennsylvania, New York City.

Other topics being considered for the program include: "Keeping Employees Informed," "What Top Management Thinks of Personnel," "Arbitration—What's Wrong with Management's Presentation of Its Case?" "Seniority in Relation to Merit Rating and Promotion," "Technological Improvements and Labor Change," and "Foreman Leadership Development."

The program is being planned under the direction of John A. Stephens, Vice President in Charge of Industrial Relations, U. S. Steel Corporation of Delaware, and AMA Vice President for the Personnel Division. He will be assisted by members of the Personnel Division Planning Council:

Harry W. Anderson, Vice President, General Motors; Lawrence A. Appley, Vice President, Montgomery Ward; John S. Bugas, Vice President—Industrial Relations, Ford Motor Company; Samuel L. H. Burk, Director of Industrial Relations, Pittsburgh Plate Glass Company; Arthur B. Goetze, Personnel Director, Western Electric Company; Elinore M. Herrick, Head, Personnel Department, *New York Herald Tribune*; Lee H. Hill, Publisher, *Electrical World*, McGraw-Hill Book Company; George Hodge, Assistant to Vice President—Industrial Relations, International Harvester Company; Charles R. Hook, Jr., Assistant to the President, Personnel, The Chesapeake and Ohio Railway Company; C. L. Huston, Jr., Executive Assistant to the President, Lukens Steel Company; Fred A. Krafft, Director of Industrial Relations, The Midvale Co.; B. F. McClancy, Manager of Human Relations, ATF, Inc.

James P. Mitchell, Vice President in Charge of Personnel, Bloomingdale Bros.; R. M. Monk, Director of Indus-

Study of Supervisors' Manuals Mailed to Company Membership

AMA's new research study, "How to Prepare and Maintain a Supervisors' Policy Manual," has now been mailed out to company members of the Association.

The booklet, which is based on the experience of some 200 companies, deals with the actual techniques of collecting and evaluating source material, writing the policies and procedures, coding and indexing them, and revising the manual as new material and changes develop.

Procedures for bringing all levels of supervision into the development of the manual are also outlined, and some of the possibilities of using the manual as a tool of communication and staff development are considered.

Office Management Conference Scheduled for October 20-21

AMA will hold its annual Office Management Conference October 20-21 at the Hotel Commodore, New York City.

Coleman Maze, Vice Chairman, Department of Management and Industrial Relations, New York University, and AMA Vice President for the Office Management Division, will be in charge.

Surveys made in preparation for the conference indicate that shortages of clerical help and of office space are still among the most important problems facing office managers. There is also considerable interest in incentive compensation plans for the office.

"Office Management's Function in Industry," "Cost and Cost Control," "Recruiting Training, and Retention of Suitable Employees," and "Methods of Curtailing Absenteeism, Tardiness, and Abuse of Rest Periods," were suggested as possible topics also.

trial and Labor Relations, Caterpillar Tractor Co.; W. H. Montgomery, Manager of Industrial Relations, Socony-Vacuum Oil Company; Robert Newhouse, Industrial Relations Counselors; Harold F. North, Industrial Relations Manager, Swift & Company; and G. H. Pfeif, Superintendent of Personnel, General Electric Company.

AMA Head Visiting England, Addresses Management Groups

Alvin E. Dodd to Return Home Late in August

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ployees, the consumers and the general public. In the face of contingencies, the business man of the future will have to weigh the possible gains of flexibility and group cooperation against a certain degree of 'uneconomic operation.' He will have to understand the complex irrationalities of human actions and be extremely flexible in his adjustment to them. He will have to set up routine practices, wherever possible, so as to release analytical ability for the handling of the unknown and the unexpected. He will have to estimate the quantitative aspect of change—better than in the past—and act accordingly. He must have versatility, imagination, high intellectual ability, and training."

At the International Conference, at which his subject was "Business Management in the USA—1939-46," Mr. Dodd reported on advances in the production and personnel fields made during the war and postwar periods. He is expected to return home the latter part of next month.

James O. Rice Speaker At Southern Conference

James O. Rice, Editor and Assistant Secretary of the AMA, was among the speakers at the 28th annual session of The Southern Conference on Human Relations, July 16-19, at Blue Ridge, N. C.

Mr. Rice spoke on "Measuring and Showing the Results of Good Personnel Work."

AMA Economist Visits Plants To Study Labor Productivity

Ernest Dale, AMA economist, who is conducting a study of labor productivity, has left for a four-week trip to plants in the East and the Midwest.

Mr. Dale plans to visit some 20 companies in Pittsburgh, Cleveland, Detroit and Minneapolis.

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